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28 NOV 1977

Approved For Release 2004/10/12 : CIA-RDP80M00165A000700030005-0

DRAFT

SUBJECT: Presentation to the Senate Select Committee on  
Intelligence on the DDO Cuts

I. Why were the cuts necessary?

A. Quickly after my arrival in the Agency last March

I began to hear from many sources that the Directorate of Operations was over staffed. I soon found that it was almost a universal perception within the Agency that the DDO had excessive numbers of people which were resulting in over management and under utilization of its talent. <sup>WHILE THIS MIGHT</sup> This, I believe, would be tolerable in some organizations, It is not in an organization of the high-quality, dedicated and ambitious people we are fortunate to have in the CIA. Nor is it a tolerable situation to have large numbers of unnecessary people on the taxpayers' payroll.

1. I <sup>THEN</sup> discovered that the Directorate of Operations was already engaged in a three-phase program to restructure this organization and to slim its strength. I encouraged a report on that program and received it in mid-July.

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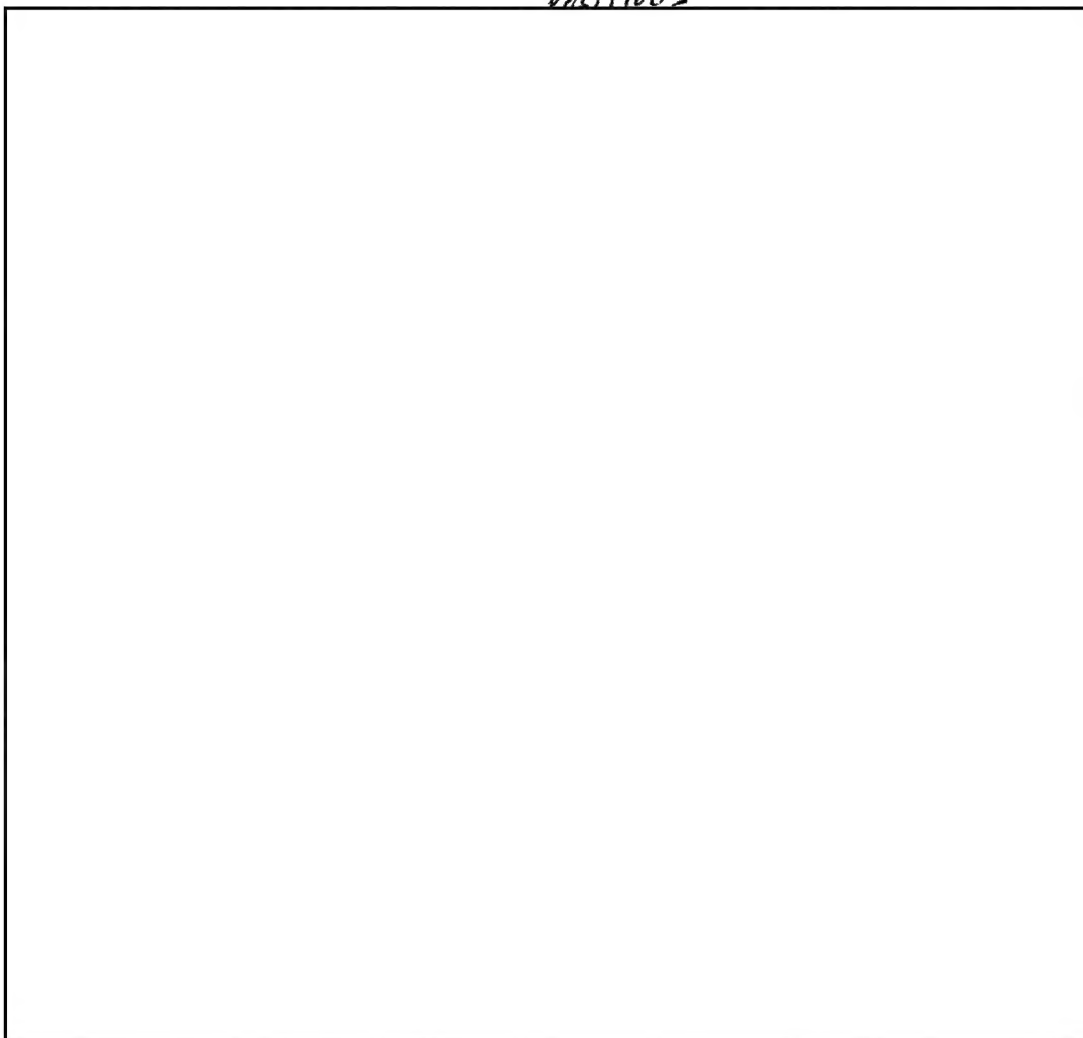
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II. Determination of the size of the reduction.

A. The report I received had a spread of opinion ~~OPTIONS~~ as to the size of the cut that was necessary. I elected to be conservative and took the smallest of ~~OPTIONS~~

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CHART



#1  
ATTRITION  
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increments at the bottom. Parenthetically, I might say that "at the bottom" is intended to mean just that for I see little prospects for bringing more than a handful of specialists into this very special

organization at the medium or upper levels

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III. Timing of the reduction.

- A. Of the alternatives presented to me for phasing the reduction, I opted for the quickest <sup>which was</sup> ~~or~~ two years. In the first place, I felt this would be far better for morale. Had we done it over about a six-year period it might have been possible to achieve the reduction through attrition only. In the first place, that might not have brought about the reductions in the right places. In the second place, it would have left an air of uncertainty hanging over the entire organization for that long period of time because if the goals were not met by attrition they would have to be met by <sup>SOME</sup> forced reductions. In addition, I do not believe I could honestly face your Committee in its budgetary role and suggest that the Agency should retain considerable numbers of people in excess of its needs for half a dozen years.
- B. On August \_\_\_\_\_ I announced this intended reduction-- privately to the employees and publicly to the media. It was in turn well publicized both inside and outside the Agency. I further announced that we would notify those who were going to be asked to leave in Fiscal Year 1978 not later than the first of November 1977, and that none of those persons would be asked to leave

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prior to the first of March 1978; that those being asked to leave in Fiscal Year 1979 would be notified by 1 June 1978 and not required to leave prior to \_\_\_\_\_ 1978.

- C. Incidentally, it is of interest that between the time I notified the employees in August that there would be a reduction, and the first announcement to individuals on the first of November as to who would be released, I received no complaints either as to ~~how the question of the necessity for cuts or as to~~ how it was going to be effected. Even after the announcement of the individuals, I still have not found anyone within the Agency who seriously believes that the reduction is not in order.

#### IV. Who is to be released?

- A. In deciding how to allocate the reductions across grades and skills, my end objective has always been to maintain at least as much clandestine intelligence capability as we possess today. It is my view that we do not have a surplus of that capability <sup>for</sup> ~~to~~ the needs of our country. Hence, there is to be no meaningful reduction in our overseas strength or activities, <sup>AND</sup> ~~Hence~~, there is to be no reduction in the size of the officer operational corps which

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Not  
COMPLETELY

will remain [redacted] - Thus, the cut  
will be taken in Headquarters officer personnel, in  
paraprofessional and clerical personnel.

B. Beyond this, I directed that the cut be across the board but with a somewhat higher percentage in the three supergrades. I was anxious to avoid our becoming top-heavy, for clearly there is an inclination ~~of organizations to contract disproportionately at the top.~~ This could perpetuate our problem of over management even at reduced total strength. I also requested that the individuals selected for reduction in the first year come more from the senior grades than the junior on the thought that there were more of these persons who could retire and be subject to lesser hardship.

V. Method of selecting the individuals.

A. For those below the supergrade level, the basic determinant of who was to leave was the individual's accumulated efficiency reports. The Agency has a procedure whereby periodic evaluation boards rank the members of different grade levels. These rankings and the gradings on the efficiency reports themselves were the bases for establishing a system of points. This system was explicitly published to all the personnel

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in the Operations Directorate in early October.

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? { Individuals could virtually calculate their score and, hence, the probability of being one of those asked to leave. The process, however, was not entirely mechanical and mathematical. A panel reviewed the calculations and made exceptions where appropriate for the retention of unique skills or humanitarian circumstances. These were exceptions, however, and the rule of the numerical ranking was closely followed except for \_\_\_\_\_ supergrades. We have an annual process by which a senior panel composed of officers at the Executive position level ranks the officers within each of the three supergrades. The Director of Operations used these rankings as the basis for his recommendations to me. Again, there were exceptions to the ranking order, but they were exceptions.

B. There are two additional points that I would like to make on the selection of these people to leave:

1. As far as I can determine, there was no bias by type of service, area of service, agreement with current management, race or sex in the selection of these individuals. There were,

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2. There is no question that we were forced to terminate some very capable people. The Directorate of Operations has been shrinking continually since our withdrawal from Vietnam.

#4 ? ~~In my view we have previously eliminated the majority of the marginal performers.~~ There is no way today to take a reduction without having to ask very competent people to depart. This is unfortunate, <sup>AND</sup> ~~it is~~ unpleasant, <sup>BUT</sup> ~~it is~~ necessary!

#### VI. Style of notification.

A. Unfortunately, there have been some complaints at the method in which notifications were issued to individuals. I am most sorry if any of our loyal staff have been offended, or if they have felt that their prior services were not fully appreciated. Such is not the case, for everyone of these individuals has sacrificed and endured <sup>HARDSHIPS</sup> ~~probations~~ and risks for his country. The last word on these notifications and expressions of appreciation is not in as yet, however. We are at the moment still circumscribed to some of the legal necessities in the handling of these cases. We are also still very much involved in determining whether any of these ☐ people can

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be relocated into other directorates within the Agency to fill existing vacancies. No one has yet in effect received a notification of termination while we are still exploring alternative possibilities.

I <sup>AM HOPEFUL</sup> anticipate that some 25% of these [ ] people will be offered alternative positions. In addition, I am personally approaching the chiefs of all the other intelligence services of our country and asking that they give special consideration to the residual of these [ ] for whom there may not be openings within the CIA. Finally, in addition, these notifications are not yet final because we are uncovering cases of hardship that could not have been anticipated. We have found that a few notices went out to those who would be able to retire with a small amount of additional service and we have arranged that no one will be forced to retire before the end of Fiscal Year 1979 when the program must be complete if he would qualify for retirement by that time.

VII. Is there a security risk?

- A. It has been suggested that the departure of sizable numbers of people like this opens us to the security risk that they will be suborned by enemy intelligence agents. This thought never crossed my mind in making



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the decision for this reduction. I simply have too much confidence in the loyalty and dedication of these people. There was no such experience, to the best of my knowledge, when former Director James Schlesinger asked for the termination of \_\_\_\_\_ people in 197\_.

1. Our unfortunate experiences with former employees violating their secrecy agreement have come entirely from individuals who have left the Agency on their own volition.

VIII. Next phase of the reduction.

A. The Fiscal 1979 cut will require approximately the same number of reductions, perhaps more if attrition does not meet expectations. We intend to commence notification of individuals involved as early as possible. We will not wait until the first of June and then send out all of the notifications at once. With more time to prepare in this instance, we will progressively notify people but ensure that the 2 (small exceptions) all are notified by the first of June with none being required to depart before the first of \_\_\_\_\_. Exceptions to this rule will be small but necessitated by adjustments that will have to be made during Fiscal Year 1979 to ensure that we end up at our final figure.

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## IX. Conclusions.

A. There are those who are concerned because this reduction may have hurt the morale of the Directorate of Operations. There is no question that it has because it simply is not a ~~desirable~~ nor pleasant task to undertake. The long-term objective, however, has been quite the reverse; that is, to promote the morale by promoting efficiency and full utilization of talent. In my view what is really needed today for the morale in the Directorate of Operations is the expression of clear support for its activities such as has come from this Committee and which also must come from a broader range of citizens and in even more public ways. Somehow we must begin to lift that veil of constant suspicion which is hanging over the Central Intelligence Agency and our Intelligence Community in general and through which the magnificent performance of these agencies in the past is being obscured by the relatively few mistakes that occurred.

B. I would not have encouraged and approved this sizable reduction had I not thought that it would in the long run strengthen the Directorate of Operations and the Central Intelligence Agency. We need a type of <sup>CAPABILITY</sup> ~~break-~~down in this Directorate as vitally today as ever before. It is simply hogwash to state, as has the

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media in some instances, that new technical forms of intelligence collection are superseding the clandestine collection capabilities of this Directorate. There is a uniqueness of quality and capability in clandestine intelligence collection which cannot ever be matched by inhuman technical systems. They will always be vital to out country's security.

- C. It would have been much easier for me to have avoided this issue and attempted to go along over strength until you or the appropriations committees or the Office of Management and Budget uncovered these excesses and made the reductions in my behalf. Doing so, however, in my opinion would have been avoiding my duty and would have been putting short-term <sup>EXPEDIENTIES</sup> ~~pleasure~~ ahead of long-term necessities. We simply must build <sup>READY TO ST</sup> a foundation today for a Central Intelligence Agency that will be capable of continuing into the indefinite future the outstanding performance it has given our country in the past thirty years.

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# ROUTING AND RECORD SHEET

SUBJECT: (Optional)

FROM:

Acting Legislative Counsel

EXTENSION

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DATE

TO: (Officer designation, room number, and building)

DATE

RECEIVED

FORWARDED

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

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Attached is a copy of the draft statement on the DDO cuts which we have annotated to reflect some of our thoughts. Since it is possible that at least portions of this document will be released to the public, I presume that Mr. Hetu will have had an opportunity to review it.

cc: Acting DDCI  
Mr. Wells